



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
STATE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION
YEAR ENDED JUNE 30, 1978**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

805

FINANCIAL AUDIT REPORT
STATE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION
YEAR ENDED JUNE 30, 1978

MARCH 1980



California Legislature

Joint Legislative Audit Committee

- STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380
- 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

GOVERNMENT CODE SECTION 10500 et al

S. FLOYD MORI

CHAIRMAN

March 20, 1980

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The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the State Energy Conservation and Development Commission, year ended June 30, 1978.

The auditors are Richard LaRock, CPA, Audit Manager; Ulrich Pelz; and Doug Cordiner.

Respectfully submitted,

S. FLOYD MORI
Assemblyman, 15th District
Chairman, Joint Legislative
Audit Committee

Attachment

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
S. FLOYD MORI
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the State Energy Resources Conservation and Development Commission. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The State Energy Resources Conservation and Development Commission began its operations in 1975. Its objective is to insure the continuance of a reliable supply of energy at a level consistent with the State's needs for protection of the public health and safety and for promotion of the general welfare. The commission's programs are directed toward processing utility applications for siting additional thermal power plants, and establishing measures to reduce waste and inefficient use of energy. Additionally, these programs involve developing new or alternative means of conserving, generating, and supplying energy while complying with statewide environmental, public safety, and land use goals.

The commission derives its support from a special account in the General Fund, from federal grants, and from other reimbursements. This special account is funded by a surcharge on electricity as determined by the Board of Equalization, based on the size of the commission's budget.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the State Energy Resources Conservation and Development Commission as of June 30, 1978 and the related statements of revenues, expenditures, and changes in operating clearing and fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the State Energy Resources Conservation and Development Commission at June 30, 1978 and the results of operations and changes in operating clearing and fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Total - Memorandum Only" for June 30, 1978 are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Wesley E. Voss
WESLEY E. VOSS
Assistant Auditor General

Date: June 20, 1979

Staff: Richard I. LaRock, CPA
Ulrich Pelz
Doug Cordiner

STATE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1978

<u>ASSETS</u>	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	Total (Memorandum Only)
	<u>General</u>	<u>Special Deposit</u>	<u>General</u> <u>Fixed Assets</u>	
Cash	\$ 111,003	\$ --	\$ --	\$ 111,003
Accounts receivable (Note 3)	2,998,397	--	--	2,998,397
Allowance for deferred and uncollectible accounts receivable	(2,126)	--	--	(2,126)
Expense advances to employees	18,504	--	--	18,504
Due from General Fund	--	25,000	--	25,000
Equipment	--	--	356,571	356,571
Total Assets	<u>\$ 3,125,778</u>	<u>\$25,000</u>	<u>\$356,571</u>	<u>\$ 3,507,349</u>

LIABILITIES, ENCUMBRANCES
OUTSTANDING, AND FUND EQUITY

Liabilities:				
Accounts payable	\$ 3,107,371	\$ --	\$ --	\$ 3,107,371
Due to Special Deposit Fund	25,000	--	--	25,000
Uncleared collections	1,453	--	--	1,453
Total Liabilities	<u>3,133,824</u>	<u>--</u>	<u>--</u>	<u>3,133,824</u>
Encumbrances Outstanding	<u>3,446,062</u>	<u>--</u>	<u>--</u>	<u>3,446,062</u>
Fund Equity:				
Investment in general fixed assets	--	--	356,571	356,571
Fund balance designated for Review of Environmental Impact Report	--	25,000	--	25,000
Operating clearing (Note 4)	(3,454,108)	--	--	(3,454,108)
Total Fund Equity	<u>(3,454,108)</u>	<u>25,000</u>	<u>356,571</u>	<u>(3,072,537)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 3,125,778</u>	<u>\$25,000</u>	<u>\$356,571</u>	<u>\$ 3,507,349</u>

The notes to the financial statements are an integral part of this statement.

STATE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Revenues: (Note 2)			
Sale of publications (Note 5)	\$ 57,420	\$ 130,421	\$ 73,001
Regulatory licenses and permits (Note 5)	77,600	44,900	(32,700)
Miscellaneous revenues	--	447	447
Total Revenues	<u>135,020</u>	<u>175,768</u>	<u>40,748</u>
Other Sources:			
Support appropriation	17,902,551	17,809,076	(93,475)
Contingent appropriations (Note 6)	2,250,000	--	(2,250,000)
Reimbursements	5,428,986	3,099,782	(2,329,204)
Prior year adjustments (Note 7)	--	704,396	704,396
Total Other Sources	<u>25,581,537</u>	<u>21,613,254</u>	<u>(3,968,283)</u>
Total Revenues and Other Sources	<u>\$25,716,557</u>	<u>21,789,022</u>	<u>\$ (3,927,535)</u>
Expenditures: (Note 2)			
Current:			
Personal services	\$12,264,598	10,433,612	\$ 1,830,986
Operating expenses and equipment	9,588,939	6,357,262	3,231,677
Research and development	3,728,000	2,173,032	1,554,968
Total Expenditures	<u>\$25,581,537</u>	<u>18,963,906</u>	<u>\$ 6,617,631</u>
Other Uses:			
Revenues remitted to the State Treasurer		<u>183,937</u>	
Total Expenditures and Other Uses		<u>19,147,843</u>	
Net Increase (Decrease) in Operating Clearing		<u>2,641,179</u>	
Operating Clearing - July 1, 1977		<u>(6,095,287)</u>	
Operating Clearing - June 30, 1978		<u>\$ (3,454,108)</u>	

The notes to the financial statements are an integral part of this statement.

STATE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

STATEMENT OF CHANGES IN FUND BALANCE
SPECIAL DEPOSIT FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

Fund Balance - July 1, 1977 \$ 27,171

Additions:

Receipts for Review of Environmental Impact Reports 25,000

Deductions:

Energy Policy Study (27,171)

Fund Balance - June 30, 1978 \$ 25,000

The notes to the financial statements are an integral part of the statement.

STATE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the State Energy Resources Conservation and Development Commission. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local government as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type, a Fiduciary Fund Type, and an Account Group. The commission accounts for only its portion of the two fund type categories. The State Controller maintains the central accounts for all state funds and annually publishes consolidated fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions typically are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the only Governmental Fund Type the commission uses.

General Fund

The General Fund includes all financial resources not accounted for in another fund. Included in the commission's portion of the General Fund is the Energy Resources Conservation and Development Special Account. This special account is funded by a surcharge on electricity as determined by the Board of Equalization. The purpose of this special account is to provide monies for the support of the commission. Beginning July 1, 1978, special accounts in the General Fund are accounted for separately from the General Fund.

The Governmental Fund Type is maintained on the modified accrual basis of accounting. These are its more significant elements:

Income

Revenues are recorded during the year on a cash basis, and reimbursements, on an accrual basis. At June 30, accounts are adjusted to accrue revenues earned but not received.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures against budget appropriations, including encumbrances outstanding for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the commission are members of the Public Employees Retirement System (PERS), which is a defined benefit, contributory retirement plan. The amount the commission and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The commission's share of retirement contributions for the year was \$1,132,570.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals or private organizations. The Special Deposit Fund is the only Fiduciary Fund Type used by the commission.

Special Deposit Fund

The commission maintains the Special Deposit Fund to account for utility companies' payments for the review of environmental impact reports and federal funds received for an energy policy study which was completed during 1978.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net amount of \$125,683 during the fiscal year.

2. BUDGETED REVENUES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for revenues and detailed expenditure accounts reflect the Governor's Budget after allowing for adjustments of the Budget Act and authorized executive budget revisions issued during the year.

3. ACCOUNTS RECEIVABLE

This account consists of \$2,988,080 in receivables from reimbursements for goods or services provided to other agencies or persons and \$10,317 in receivables from other sources. Included in receivables from reimbursements is \$2,820,614 from federal grants.

4. OPERATING CLEARING

This account is the connecting link between the books of the various state agencies and the central fund accounts of the State Controller's Office for the General Fund and other funds not accounted for entirely by one agency.

5. REVENUES

Revenues collected from the sale of publications and from the issuance of regulatory licenses and permits are deposited in the Energy Resources Conservation and Development Special Account in the General Fund. These revenues are then appropriated by the Legislature for support of the commission.

6. CONTINGENT APPROPRIATIONS

The Budget Act of 1977 appropriated \$2 million for a General Fund loan to the commission. In addition, the act provided that \$250,000 be allocated to the commission from the State Energy Resources Conservation and Development Reserve Account in the General Fund, subject to a specified purpose. Neither of these funding sources was used.

7. PRIOR YEAR ADJUSTMENTS

This account shows the difference between the net amount of expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of these accounts during the fiscal year (including accruals) for appropriations no longer available for encumbrance.

8. LEASES

The following is a yearly schedule of the future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 1978:

Year ending June 30:

1979	\$ 751,353
1980	672,014
1981	<u>114,717</u>

Total minimum payments required \$1,538,084

For the fiscal year ending June 30, 1978, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed, was \$578,402.

OTHER INFORMATION

As an integral part of our examination, we reviewed the commission's accounting procedures and related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the commission's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which may result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the commission in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The commission generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps